

# A time for forward thinking

Anders Nissen, CEO  
Liia Nõu, CFO

Handelsbanken  
Nordic Real  
Estate Webinar

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Pandox™

New interior @Midland Manchester



Strategic position

# A well-diversified portfolio



**Pandox Group**

156 Hotel properties      35,060 Rooms

SEK 59.5bn  
Property market value



**Property Management**

136 Leased properties      29,273 Rooms

84%  
Property market value



**Operator Activities**

20 Operated properties      5,787 Rooms

16%  
Property market value

Strategic position

# A strong network of brands and partners



Note: The logos are the property of the respective brand owners.

# New restrictions, lower demand

- Promising start in the quarter...
- ...but new restrictions led to gradually lower demand
- Profitable and cash flow positive
- Continued strong financial and liquidity position

**-10%**

R12M

Return on equity<sup>2)</sup>

**-53%**

Oct-Dec 2020

Growth in total  
net operating income<sup>1)</sup>

**-26%**

Oct-Dec 2020

LFL growth in NOI  
Property Management<sup>3)</sup>

MSEK **5,221**

31 Dec 2020

Liquid funds and unutilised  
credit facilities

1) Measured as net operating income Property Management and gross profit plus depreciation Operating Activities

2) Measured as growth in EPRA NAV, including dividend and excluding proceeds from directed share issue, at annual rate

Q4 2020 in brief

# COVID-19 effects on Pandox

- Reduced demand due to renewed COVID-19 related restrictions
- Minimum and fixed rent main source of income (also expected in Q1)
- Unrealised value changes explained by lower anticipated cash flows
- Increase in trade account receivables reflecting new and temporary payment terms

Current revenue

# Diversified revenue base

- Revenues from different operational models and geographies
- Minimum rent and fixed rent main source of revenue
  - Approximately MSEK 500 per quarter
  - Revenue-based rents of MSEK 48 in Q4 and MSEK 249 in FY 2020
- Rent collection progressing in line with temporary payment terms
- No reductions in hotel rents given
- Revenues from Operator Activities of MSEK 117 in Q4

## Property portfolio

# Valuations based on established method

### Value change

Change in value Investment Properties

	Figures in MSEK
Investment Properties, opening balance (1 January 2020)	53,697
+ Acquisitions <sup>1)</sup>	693
+ Investments in current portfolio	492
- Divestments	—
+/- Reclassifications <sup>2)</sup>	-739
+/- Revaluation of fixed assets to total comprehensive income for the period	—
+/- Unrealised changes in value	-1,779
+/- Realised changes in value	—
+/- Change in currency exchange rates	-2,183
<b>Investment Properties, closing balance (31 December 2020)</b>	<b>50,181</b>

Change in value Operating Properties, reported for information purposes only

	Figures in MSEK
Operating Properties, market value (1 January 2020)	9,772
+ Acquisitions <sup>3)</sup>	-4
+ Investments in current portfolio	406
- Divestments	—
+/- Reclassifications <sup>2)</sup>	739
+/- Unrealised changes in value	-1,014
+/- Realised changes in value	—
+/- Change in currency exchange rates	-538
<b>Operating Properties, market value (31 December 2020)</b>	<b>9,361</b>

**-3.3%  
YTD**

**-10.4%  
YTD**

**-4.8% YTD**

1) Refers to acquisition of a hotel property in Germany of MSEK 639, complementing premises to Jurys Inn Cardiff and adjustments of previously completed acquisitions.

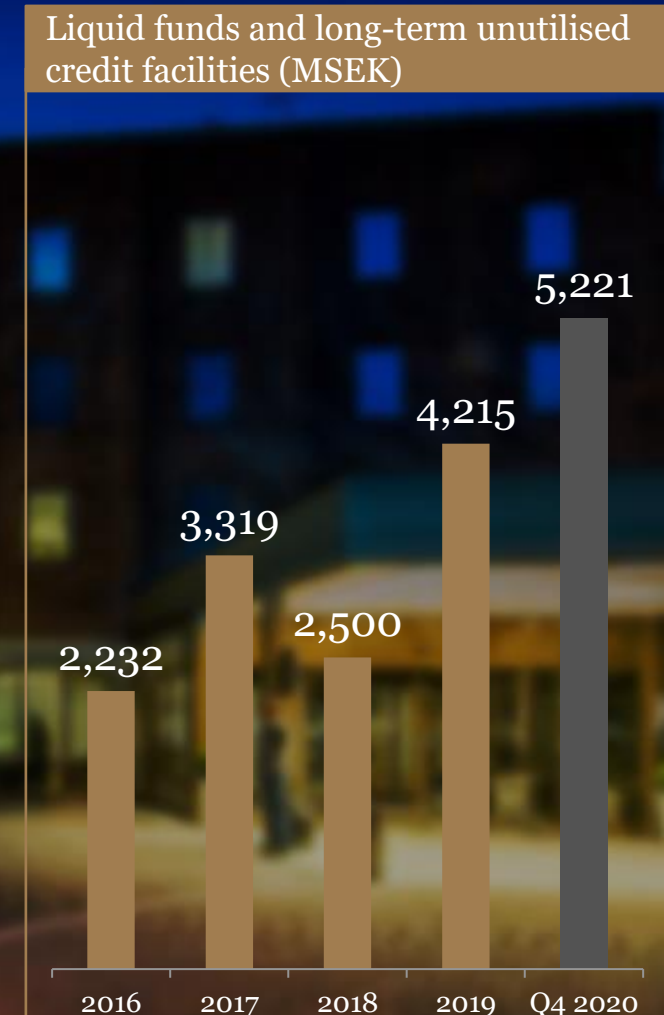
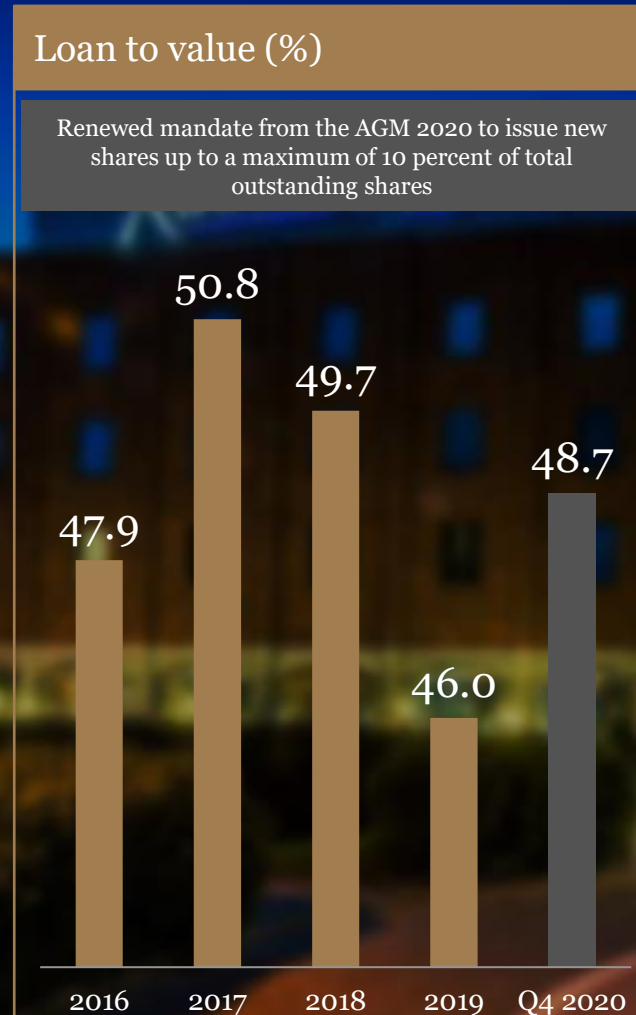
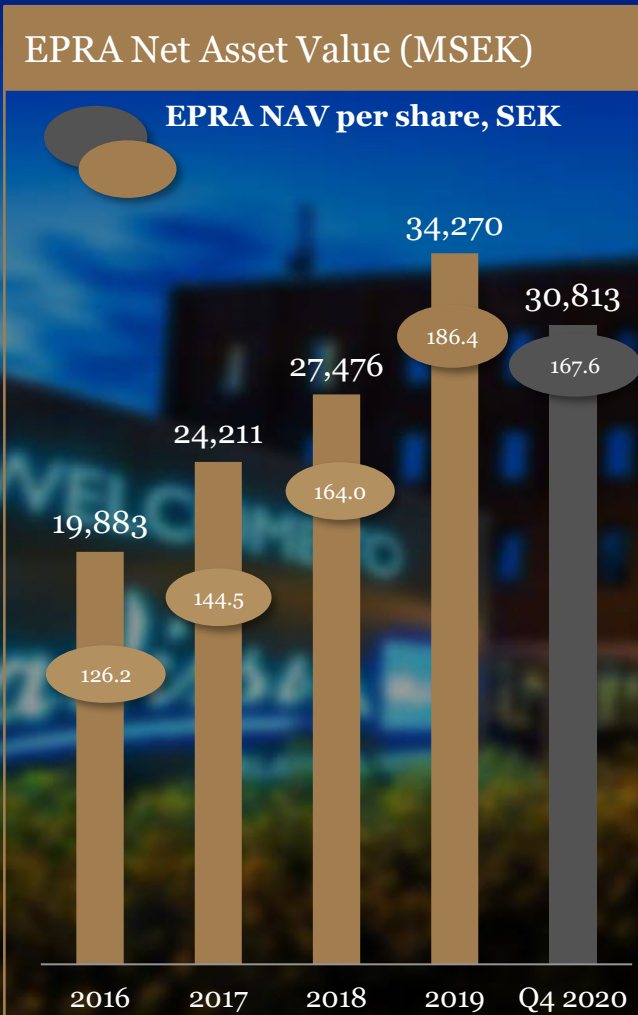
2) Refers to reclassification of two hotel properties in Denmark from Property Management to Operator Activities

3) Refers to adjustment of Novotel Hannover (MSEK -2) and Novotel Den Haag World Forum (MSEK -2)

### Comments per 31 December, 2020

- Valuations made according to same method and model used since the IPO 2015
- Downward adjustments due to lower anticipated cash flows, mainly as a result of COVID-19
- Conclusive transaction evidence for yields still missing
- Yields and cash flow expected to be estimated with greater precision in the coming quarters
- Due to COVID-19, only some 60 external valuations were completed during 2020
- External valuations are on average some 6 percent below Pandox's internal valuations, but exhibit large dispersion both within and between markets
- Total property portfolio market value amounted to MSEK 59,542 (63,469)
- Average valuation yield for Investment Properties was 5.44 (5.41) percent and for Operating Properties 6.37 (6.41) percent

# Financing and capital structure





# Three focus areas

- *Respond* – manage the acute phase of the crisis
- *Restart* – plan for the recovery
- *Reinvent* – what's next?

Market update

# Gaining new insights into the recovery

- Recap: Hotel market development 2020
- Show: Demand segments in Pandox's portfolio
- Explore: Hotel markets outside Europe and their drivers of recovery
- New insights: Into the recovery

Six development levels...

# ...to get back to full performance



# COVID-19 strikes and everything stops

- COVID-19 arrives to Northern Europe in March 2020
- Societies closed down and travel restrictions were implemented
- The hotel market bottoms out in April
- When restrictions were lifted in June/July the recovery starts

# Summer holiday recovery

- During the summer demand increases quite rapidly in Europe
- Domestic leisure is the main driver
- After the vacation period leisure demand remains stable on weekends
- Domestic businesses begin to travel with first signs of smaller meetings

# Early autumn plateau

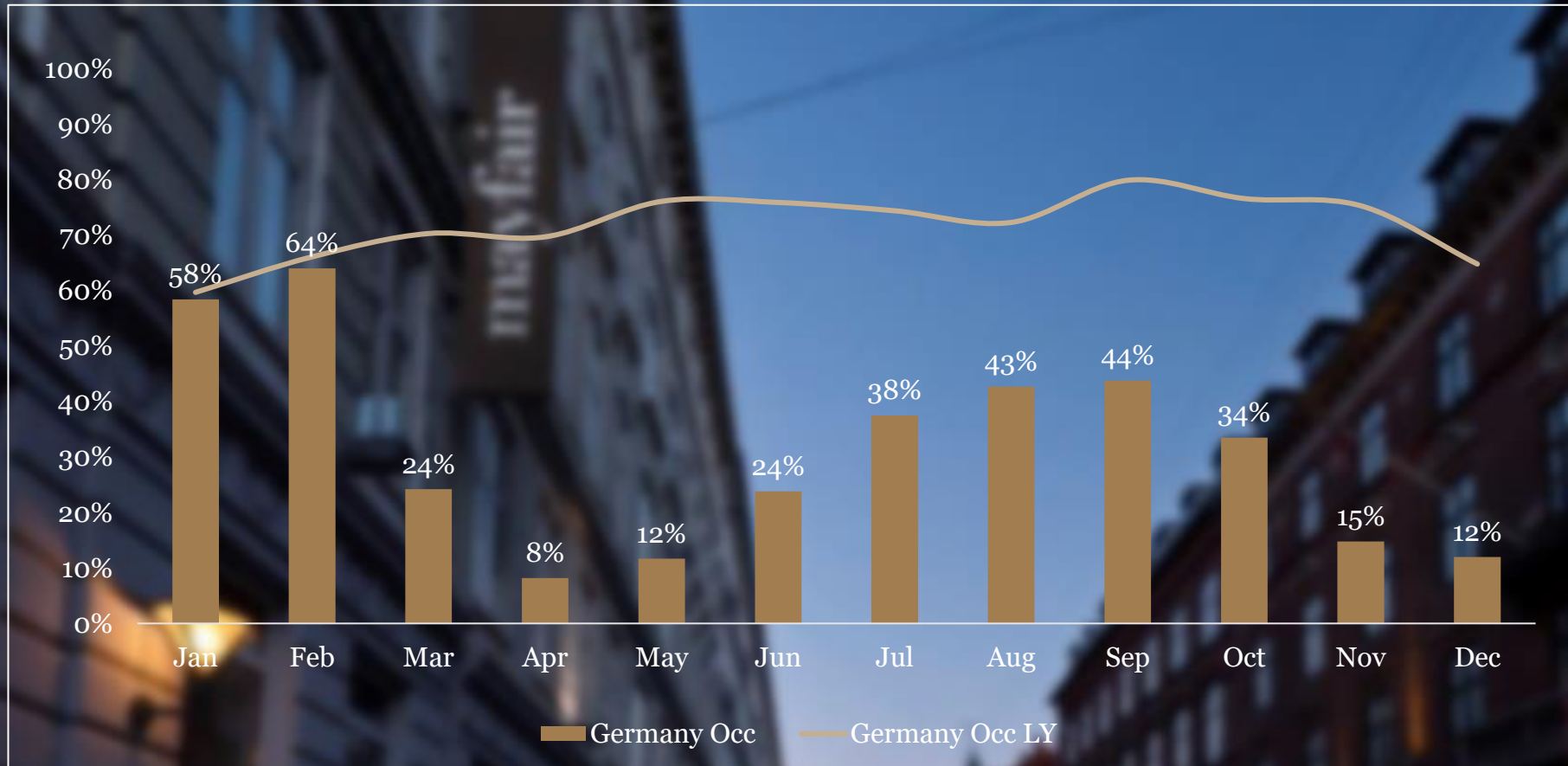
- In September occupancy is 45-55 percent in most of Pandox's domestic markets
- Up to this point, the recovery is faster than many had expected
- However, demand in larger and more international cities remain weak

# Second wave brings new restrictions

- In October new restrictions are implemented due to “second wave” infections
- It becomes more difficult to operate hotels again
- Demand decreases substantially across all segments

## Hotel market development 2020

# Germany: Occupancy 2020

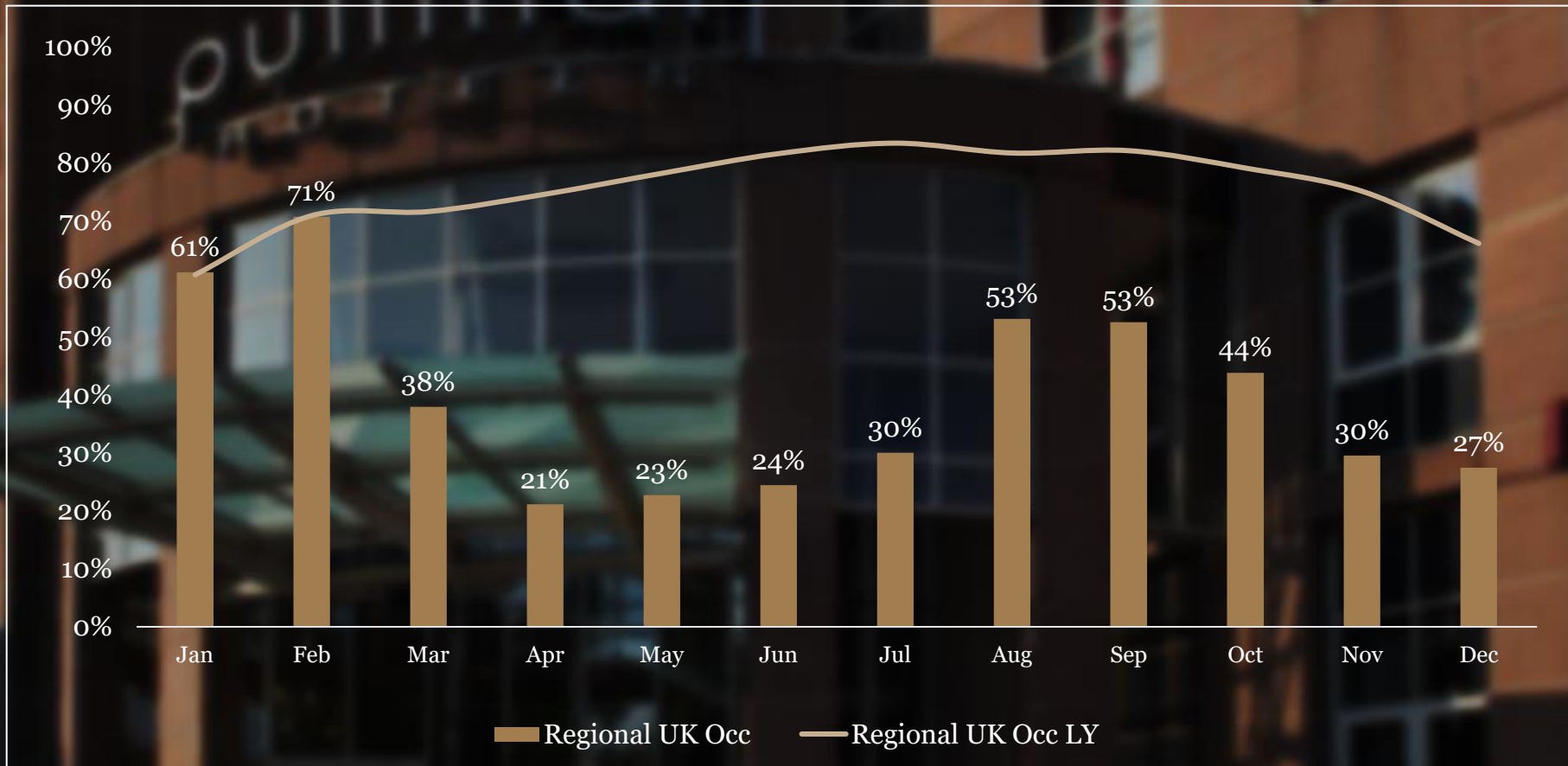


Source: STR (reporting basis)



## Hotel market development 2020

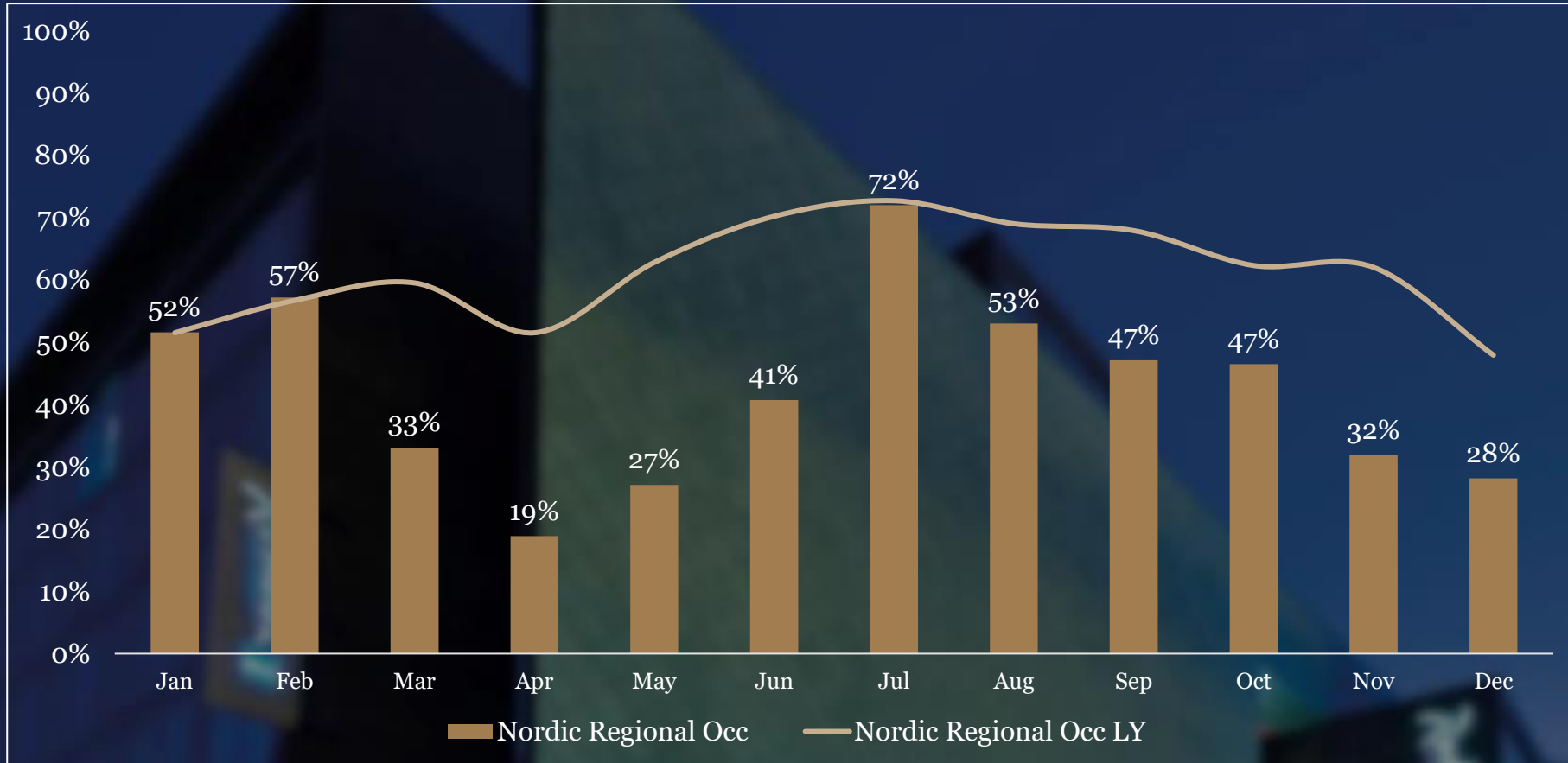
# Regional UK: Occupancy 2020



Source: STR (reporting basis)

Hotel market development 2020

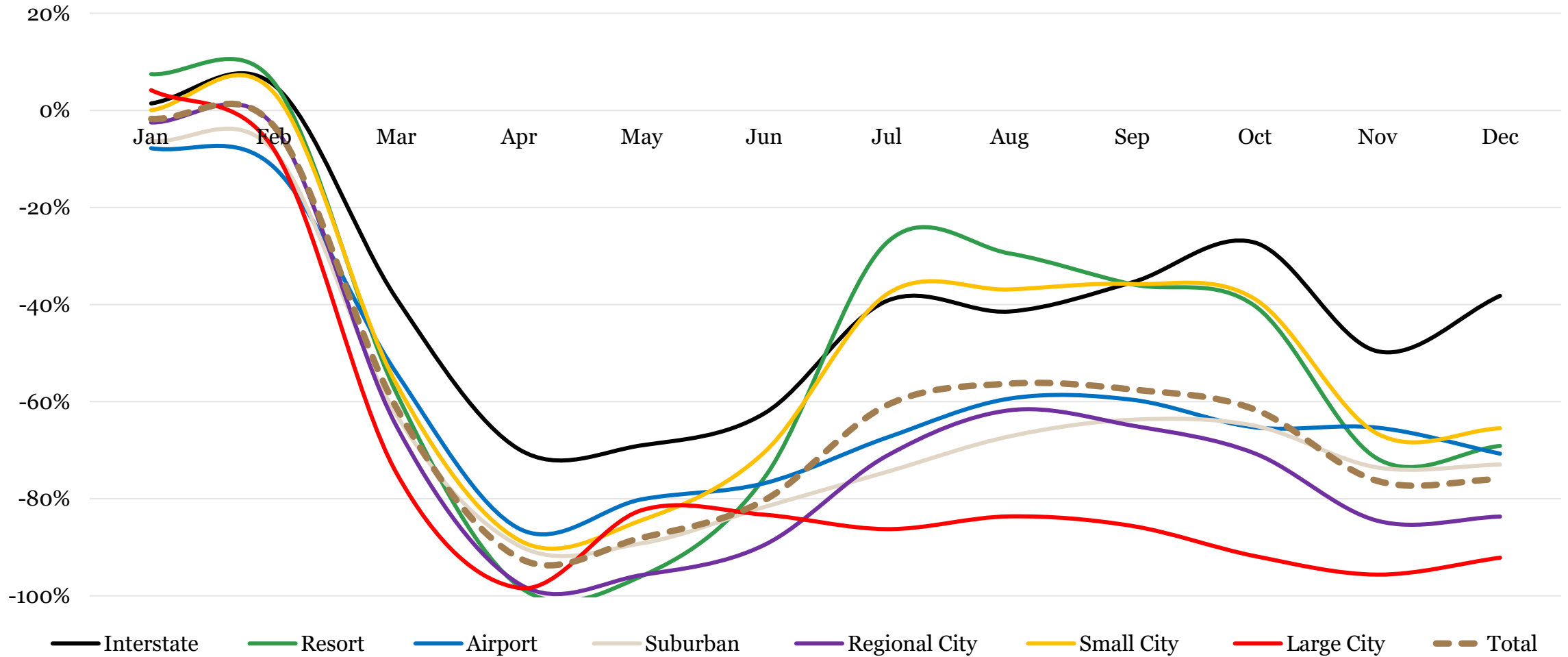
# Nordic regional: Occupancy 2020



Source: Benchmarking Alliance

Demand segments in Pandox's portfolio

# Occupancy performance 2020



Source: Pandox

Hotel markets outside Europe and their drivers of recovery

# Looking at markets ahead of Europe



China



New Zealand



Australia



India

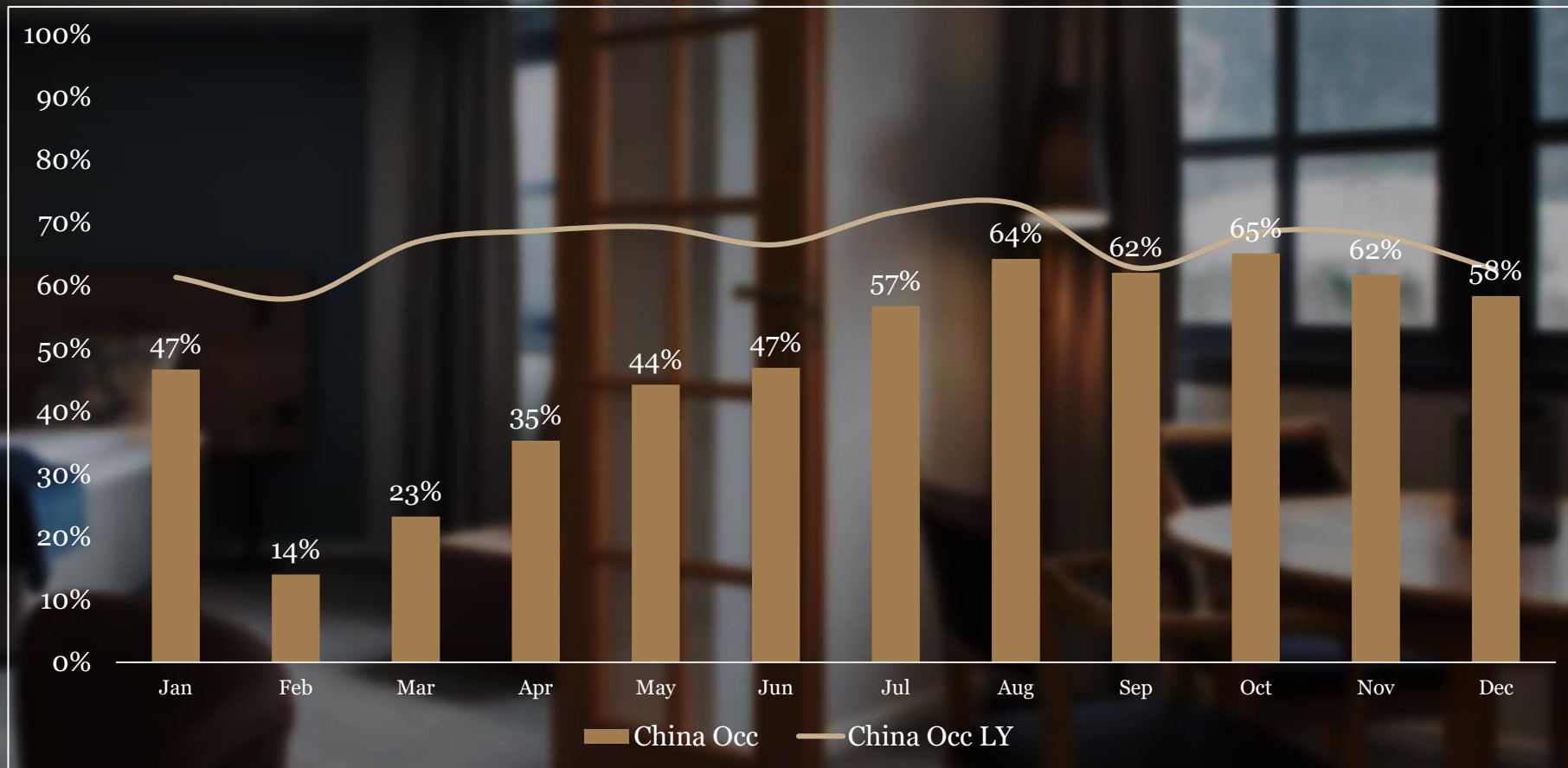
Hotel markets outside Europe and their drivers of recovery

# Why are they relevant?

- Well ahead of Europe in their recovery
- Well-developed with many different segments
- Mix of domestic and international brands
- Considerable inbound and outbound travel

## Hotel markets outside Europe and their drivers of recovery

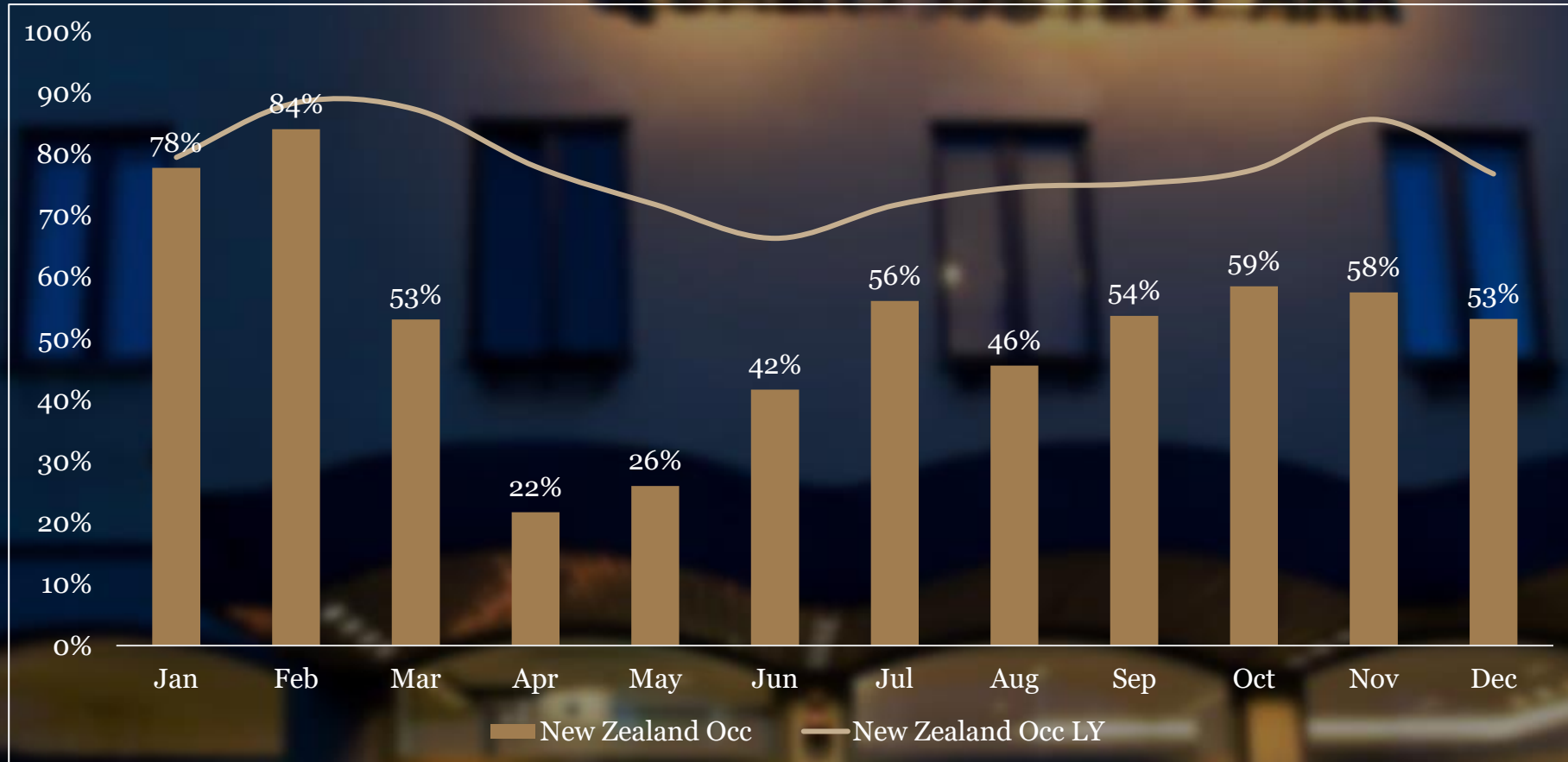
# China: Occupancy 2020



Source: STR (reporting basis)

Hotel markets outside Europe and their drivers of recovery

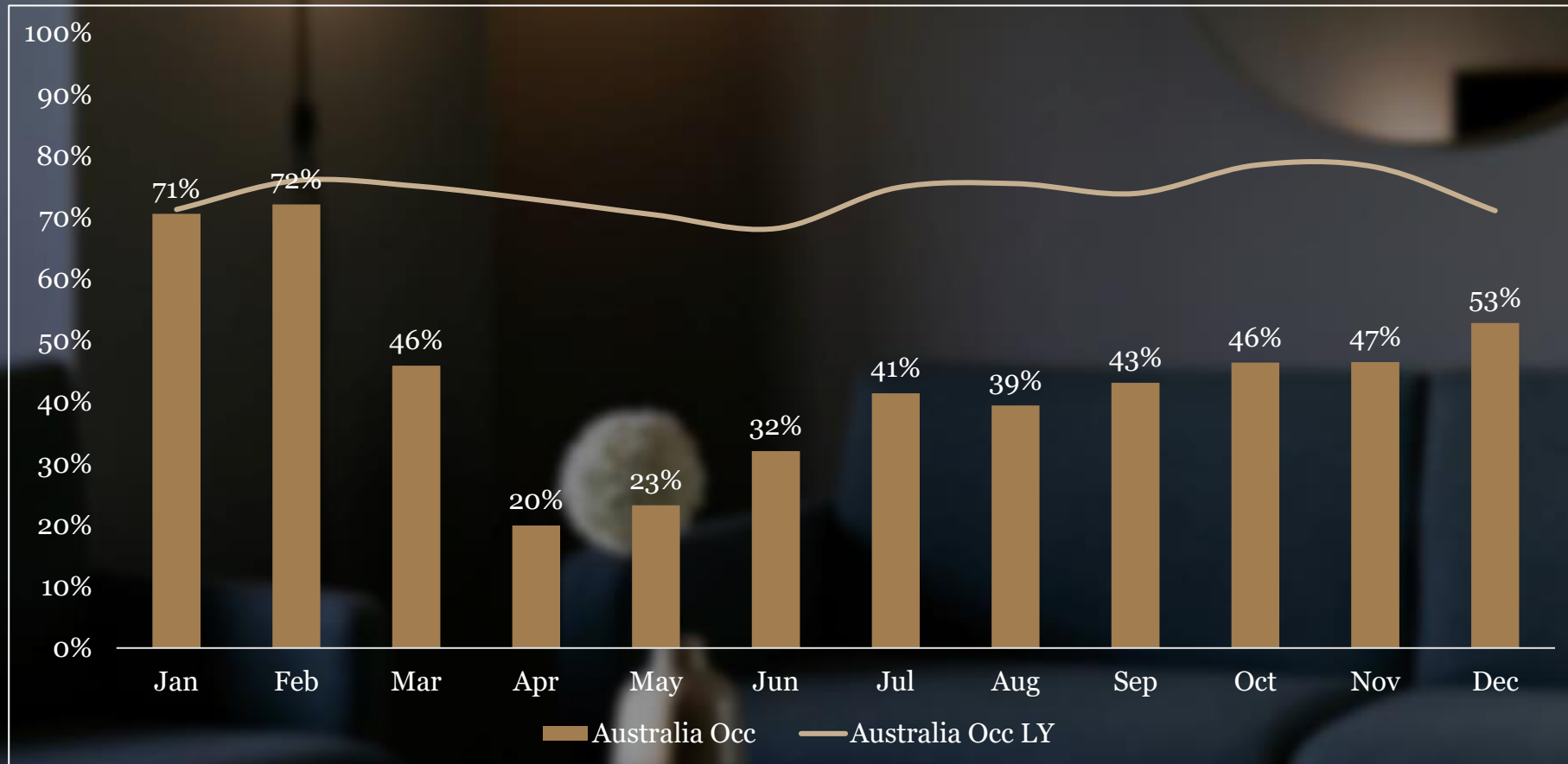
# New Zealand: Occupancy 2020



Source: STR (reporting basis)

Hotel markets outside Europe and their drivers of recovery

# Australia: Occupancy 2020

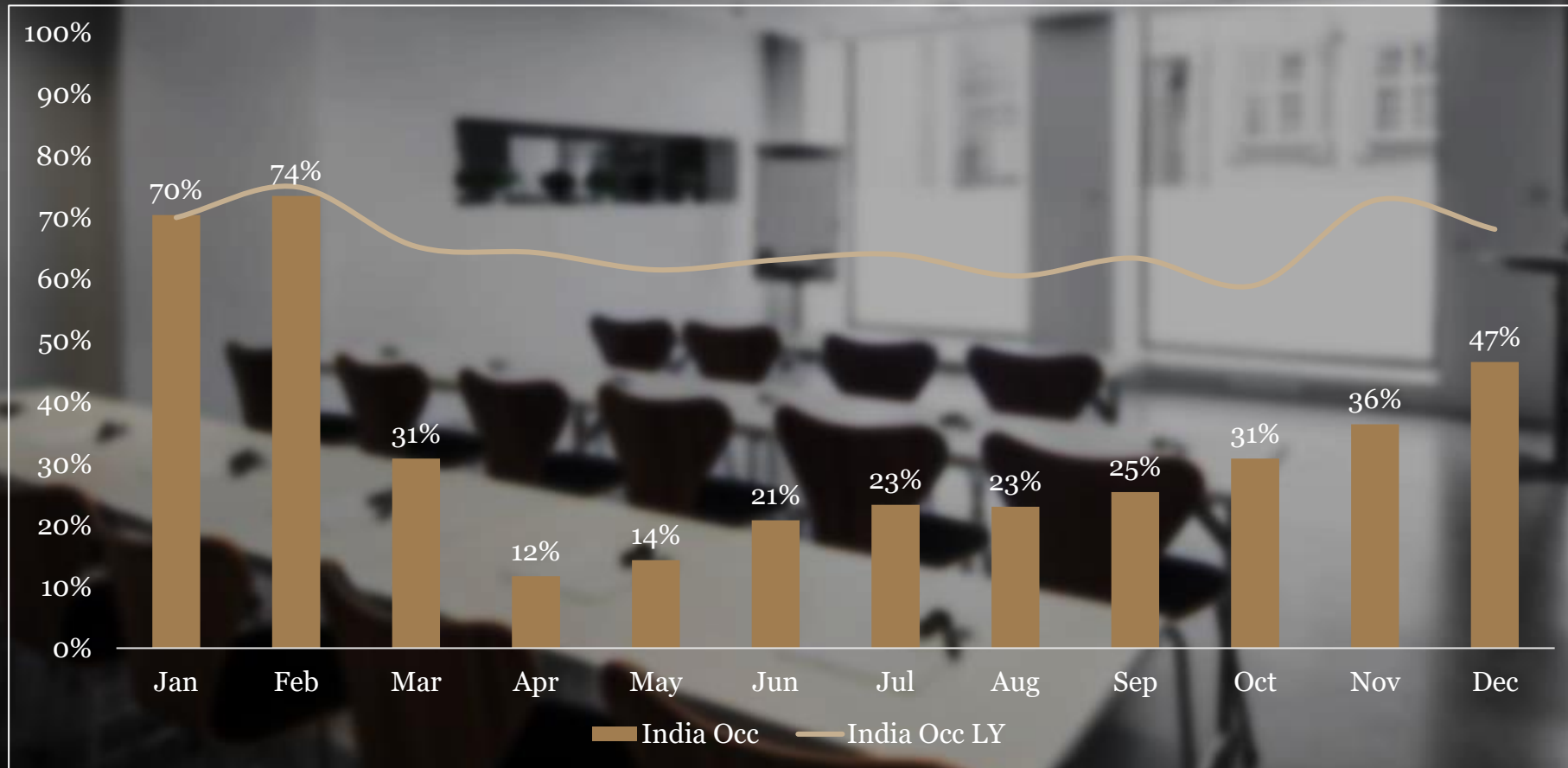


Source: STR (reporting basis)



## Hotel markets outside Europe and their drivers of recovery

# India: Occupancy 2020



Source: STR (reporting basis)

# It all depends on the restrictions

- Q1: demand will be low due to ongoing restrictions
- Q2: given successful vaccinations and reduced restrictions...
  - ...demand will return in stages with individual leisure returning first*
  - ...followed by domestic business travel by small and mid-sized companies*
  - ...strong recovery in domestic markets*
- Summer could be a bomb?
- The period after the summer could be exciting...
  - ...with meetings and first signs of international travel*



 Pandox™  
Clarion Collection Arcticus, Harstad

# Q & A

Head office  
Pandox AB (publ)  
Box 15  
SE-101 20 Stockholm  
Sweden

Visiting address  
Vasagatan 11  
Stockholm  
Sweden

Tel: +46 8 506 205  
[www.pandox.se](http://www.pandox.se)  
Org.nr. 556030-7885

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